

CITY OF BALTIMORE

PARKING FACILITIES FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2001

(WITH REPORT OF INDEPENDENT AUDITORS)

CITY OF BALTIMORE
PARKING FACILITIES FUND
FINANCIAL STATEMENTS
JUNE 30, 2001

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors.....	1
Balance Sheet.....	2
Statement of Revenues, Expenses and Changes in Equity.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements.....	5-10



Report of Independent Auditors

December 12, 2001

The Mayor, City Council, Comptroller and
Board of Estimates of the City of Baltimore, Maryland

We have jointly audited the accompanying balance sheet of the Parking Facilities Fund, an enterprise fund of the City of Baltimore, Maryland as of June 30, 2001, and the related statements of revenues, expenses and changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Parking Facilities Fund and are not intended to present fairly the financial position of the City of Baltimore, Maryland, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Facilities Fund of the City of Baltimore, Maryland, as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Yovonda D. Brooks, CPA
City Auditor
Department of Audits

Ernst & Young LLP

CITY OF BALTIMORE
PARKING FACILITIES FUND
BALANCE SHEET
JUNE 30, 2001
(Expressed in Thousands)

ASSETS

Cash and cash equivalents.....	\$ 11,963
Accounts receivable:	
Accrued interest receivable.....	190
Working capital advances.....	50
Mortgages receivable.....	44,545
Restricted assets - cash equivalents and investments:	
Future capital expenditures.....	7,222
Revenue bond debt service account.....	12,448
Revenue bond contingency account.....	1,016
Property, plant and equipment, net.....	78,815
Unamortized bond issuance costs.....	<u>2,034</u>
 Total assets.....	 \$ <u><u>158,283</u></u>

LIABILITIES AND EQUITY

Liabilities:

Accounts payable and accrued liabilities.....	\$ 314
Accounts payable from restricted assets.....	143
Accrued interest payable.....	3,449
Revenue bonds payable, net.....	115,593
Due to other funds – City of Baltimore.....	<u>18,757</u>
 Total liabilities.....	 <u>138,256</u>

Equity:

Contributed capital.....	592
Retained earnings.....	<u>19,435</u>
 Total equity.....	 <u>20,027</u>
 Total liabilities and equity.....	 \$ <u><u>158,283</u></u>

See notes to financial statements.

CITY OF BALTIMORE
PARKING FACILITIES FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001
(Expressed in Thousands)

Operating revenues:	
Parking garage space rentals.....	\$ 10,216
Interest income.....	3,125
City pledged revenues:	
Parking fines and penalties.....	15,599
Parking meter collections.....	5,212
Other parking income.....	<u>12,024</u>
Total operating revenues.....	<u>46,176</u>
Operating expenses:	
Contractual services.....	4,963
Depreciation.....	1,069
Amortization of bond issuance costs.....	<u>107</u>
Total operating expenses.....	<u>6,139</u>
Operating income.....	<u>40,037</u>
Non-operating revenues (expenses):	
Gain on sale of investments.....	9
Interest expense, net.....	<u>(6,513)</u>
Net non-operating expenses.....	<u>(6,504)</u>
Income before operating transfers.....	33,533
Operating transfers to City of Baltimore.....	<u>(30,295)</u>
Net income.....	3,238
Retained earnings, beginning of year.....	<u>16,197</u>
Retained earnings, end of year.....	<u>19,435</u>
Contributed Capital, beginning and end of year.....	<u>592</u>
Total equity.....	<u>\$ 20,027</u>

See notes to financial statements.

CITY OF BALTIMORE
PARKING FACILITIES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001
(Expressed in Thousands)

Cash flows from operating activities:	
Operating income.....	\$ 40,037
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation.....	1,069
Amortization of bond issuance costs.....	107
Decrease in accounts receivable.....	988
Decrease in accounts payable and accrued liabilities.....	(68)
Decrease in accrued interest payable.....	(79)
Increase in due to City of Baltimore	<u>7,333</u>
Net cash provided by operating activities.....	<u>49,387</u>
Cash flows from non-capital financing activities:	
Operating transfers to City of Baltimore.....	<u>(30,295)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets.....	(8,637)
Mortgage receivable principal repayments.....	1,575
Changes in restricted accounts payable.....	144
Principal paid on revenue bonds.....	(3,360)
Interest paid.....	<u>(5,707)</u>
Net cash used by capital and related financing activities.....	<u>(15,985)</u>
Cash flows from investing activities:	
Gain on sale of investments.....	<u>9</u>
Net increase in cash and cash equivalents.....	3,116
Cash and cash equivalents, beginning of year.....	<u>25,150</u>
Cash and cash equivalents, end of year.....	<u><u>\$ 28,266</u></u>
Reconciliation of cash and cash equivalents:	
Unrestricted cash and cash equivalents.....	\$ 11,963
Restricted cash and cash equivalents.....	<u>16,303</u>
Total cash and cash equivalents.....	<u><u>\$ 28,266</u></u>

See notes to financial statements.

CITY OF BALTIMORE
PARKING FACILITIES FUND
NOTES TO FINANCIAL STATEMENTS

1. Description of the Fund:

The City of Baltimore Parking Facilities Fund (the Fund), an enterprise fund, was established to provide funds to finance and refinance the cost of acquisition and construction of certain parking facilities in Baltimore City (City).

These financial statements relate only to the operation of this fund and are not intended to present the financial position of the City and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds in conformity with accounting principles generally accepted in the United States (GAAP).

2. Summary of Significant Accounting Policies:

The accounting and financial reporting policies of the Fund conform to GAAP and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB) for proprietary funds.

GAAP allows governments to choose either not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The Fund has elected not to implement FASB pronouncements issued after that date.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting whereby revenues are recorded at the time they are earned and expenses are recorded when incurred.

Cash and Cash Equivalents:

Cash and cash equivalents include amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments:

Investments with maturities of less than one year from purchase date are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

Interest:

Interest income includes interest earned on mortgages and is recognized as operating income. Interest expense represents bond interest expense net of investment income.

Property, Plant and Equipment:

Property, plant and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, as follows:

Buildings	50 years
Improvements	20-50 years
Equipment	2-25 years

Amortization:

Bond issuance costs are amortized over the life of the issue using the straight-line method, which is not materially different than the effective interest method. Gains and losses on the early extinguishment of debt are amortized over the shorter of the life of the new or old debt.

3. Cash Deposits and Investments:

The Fund participates in the City's pooled cash account. At June 30, 2001, the Fund's share of the City's pooled cash account was \$11,963,000. All of the City's cash deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held in the name of the City by the City's agent.

The City is authorized by State law to invest in direct or indirect obligations of the U.S. government, certificates of deposit, repurchase agreements and related mutual funds. City policy requires that securities underlying repurchase agreements must have a market value of at least 100% of the cost of the repurchase agreement and the City takes possession of the securities when the repurchase agreement's maturity is over five days. Management believes the City has complied with this policy throughout the year.

4. Restricted Assets:

Restricted assets consist of resources that are legally obligated for the acquisition and improvement of capital facilities and revenue bond repayment requirements. Restricted investments and cash equivalents at June 30, 2001 consist principally of U.S. Treasury and Agency securities, which are registered in the name of the City (Category 1). Restricted assets at June 30, 2001 are as follows (amounts expressed in thousands):

Cash equivalents.....	\$16,303
Restricted investments.....	<u>4,383</u>
Total.....	<u>\$20,686</u>

5. Mortgages Receivable:

The Fund has mortgages receivable at June 30, 2001 from various parking garage operators of \$44,545,000 collateralized by real property. The notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.

6. Property, Plant and Equipment:

Property, plant and equipment and the related accumulated depreciation (amounts expressed in thousands) recorded in the Fund as of June 30, 2001 are as follows:

Land.....	\$ 2,375
Buildings and improvements.....	52,402
Equipment.....	<u>538</u>
	55,315
Less: accumulated depreciation	<u>10,920</u>
	44,395
Construction in progress.....	<u>34,420</u>
Total.....	<u>\$78,815</u>

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. During fiscal year 2001, interest expense of \$318,000 (net of interest income of \$873,000) was capitalized.

At June 30, 2001 the Fund had outstanding commitments for construction of \$914,000.

7. Revenue Bonds:

Assets with a carrying value of \$13,464,000 at June 30, 2001 and certain revenues of the Fund are pledged as collateral for the bonds. Bonds outstanding (amounts expressed in thousands) as of June 30, 2001 consist of:

Series 1992B serial bonds maturing in annual installments from \$410 to \$510 from July 1, 2001 through July 1, 2003, with interest ranging from 7.50% to 7.95%, payable semiannually	\$ 1,425
---	----------

Series 1993 serial bonds maturing in annual installments from \$2,685 to \$3,810 from July 1, 2001 through July 1, 2008, with interest ranging from 4.05% to 4.7%, payable semiannually	26,165
---	--------

Series 1997B serial bonds maturing in annual installments from \$265 to \$495 from July 1, 2001 through July 1, 2010, with interest ranging from 6.05% to 6.5%, payable semiannually	3,790
--	-------

Series 1992B term bonds with interest at 8.4%, payable semiannually, due July 1, 2011	5,955
---	-------

Series 1993A term bonds with interest at 5.1%, payable semiannually, due July 1, 2013	3,395
---	-------

Series 1993A term bonds with interest at 5.0%, payable semiannually, due July 1, 2018	4,330
---	-------

Series 1997A term bonds with interest at 5.9%, payable semiannually, due July 1, 2013	21,760
---	--------

Series 1997A term bonds with interest at 6.0%, payable semiannually, due July 1, 2018	29,040
---	--------

Series 1997B term bonds with interest at 6.75%, payable semiannually, due July 1, 2017	4,510
--	-------

Series 1997B term bonds with interest at 6.625%, payable semiannually, due July 1, 2022	4,735
---	-------

Series 1997B term bonds with interest at 6.625%, payable semiannually, due July 1, 2027	6,525
---	-------

Series 1998A term bonds with interest at 4.9%, payable semiannually, due July 1, 2011	175
---	-----

Series 1998A term bonds with interest at 5.25%, payable semiannually, due July 1, 2014	1,770
--	-------

Series 1998A term bonds with interest at 5.25%, payable	
---	--

semiannually, due July 1, 2017	2,060
Series 1998A term bonds with interest at 5.25%, payable semiannually, due July 1, 2021	<u>3,300</u>
	118,935
Less unamortized charges	<u>3,342</u>
	<u>\$115,593</u>

The serial bonds series 1992B are subject to redemption prior to maturity beginning on and after July 1, 2002, at redemption prices ranging from 102% to 100% of the principal amount. The series 1992B term bonds due July 1, 2011, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2004, at annual principal amounts ranging from \$550,000 to \$970,000. The serial bonds series 1993 due July 1, 2004 and July 1, 2005, are subject to redemption prior to maturity beginning on and after July 1, 2003, at redemption prices ranging from 102% to 100% of the principal amount. The series 1993 term bonds due July 1, 2013 and July 1, 2018, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$615,000 to \$960,000.

The series 1997A term bonds due July 1, 2013, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$3,860,000 to \$4,870,000. The series 1997A term bonds due July 1, 2018, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$5,160,000 to \$6,505,000.

The serial bond series 1997B due July 1, 2010, are subject to redemption prior to maturity beginning on and after July 1, 2007, at redemption prices ranging from 101% to 100% of the principal amount. The series 1997B term bonds due July 1, 2017, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2011, at annual principal amounts ranging from \$525,000 to \$775,000. The series 1997B term bonds due July 1, 2022, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$830,000 to \$1,070,000. The series 1997B term bonds due July 1, 2027, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2023, at annual principal amounts ranging from \$1,145,000 to \$1,475,000.

The series 1998A term bonds due July 1, 2011, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2003, at annual principal amounts ranging from \$15,000 to \$25,000. The series 1998A term bonds due July 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2012, at annual principal amounts ranging from \$560,000 to \$620,000. The series 1998A term bonds due July 1, 2017, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2015, at annual principal amounts ranging from \$650,000 to \$725,000. The series 1998A term bonds due July 1, 2021, are subject to

redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$760,000 to \$890,000.

Principal maturities of and interest on (amounts expressed in thousands) revenue bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2002.....	\$ 3,515	\$ 6,813
2003.....	3,690	6,636
2004.....	3,885	6,446
2005.....	4,080	6,241
2006.....	4,300	6,020
2007 and thereafter.....	<u>99,465</u>	<u>51,473</u>
Total	<u>\$118,935</u>	<u>\$83,629</u>

In prior years, the City defeased revenue bonds by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the Fund's financial statements. At June 30, 2001, \$5,430,000 of such debt outstanding is considered defeased.

8. Related Party Transactions:

During fiscal year 2001 the Fund transferred \$30,295,000 to the City's General Fund. These transfers represent revenues consisting of parking fines, penalties, meter collections and other parking revenues, which were initially pledged as security for the revenue bonds. The revenues are held by the Fund until such time as it is determined, in accordance with the bond indentures, that the revenues will not be needed to pay current debt service.

Contractual services expenses consist primarily of management fees for the operation of the Fund's parking garages. The cost of collecting pledged revenues and other costs relating to the management of the Fund's operations are borne by the City's General Fund and are not included in the operating expenses of the Fund.